

TOTAL INCOME OF AGRICULTURAL HOUSEHOLDS: PROGRESS IN 1993

This Rapid Report summarises the salient points from a report of the same title¹ which was prepared for Eurostat by Dr B. Hill, Wye College, University of London.

Introduction

The Total Income of Agricultural Households (TIAH) project is now in its early operational phase. Member States are applying the methodology that was designed and agreed by the Working Party on the Economic Accounts for Agriculture. A few countries have considerable experience of estimating the total and disposable incomes of agricultural households within the framework of national accounts while for others not only is the exercise new but suitable data sources have to be built up. The first set of results covering Member States on a country-by-country basis was published in 1992 (*Total Income of*

Agricultural Households 1992 Report) together with a summary of the main findings at European Union level. Since then there have been developments not only in terms of the updating of results and improving their quantity but also in some of the methodology. These methodological changes carry implications for the interpretation of results and for the future development of the TIAH project, since they concern the central issue of what constitutes an agricultural household and therefore which households have their income measured.

Advances in available information

Since the 1992 TIAH Report there have been additions and improvements to the data bank. Results were received from Belgium for the first time, meaning that all twelve Member States are now represented in the project.

Germany, the Netherlands and the United Kingdom have provided results for additional years. In addition, Germany and France have revised their existing series.

¹ "Total Income of Agricultural Households : Progress in 1993", Theme 5, Series D, ISBN: 92-826-8194-7

Methodological developments

The main methodological developments involve:

- revision of the TIAH target definition of an agricultural household ("narrow" definition) to one in which farming is the main source of income of a reference person (typically the head of household);
- adoption of a breakdown of non-agricultural households into a standard set of socio-professional groups for the purpose of drawing comparisons with the income of agricultural households;
- the provision of a "broad" definition of an agricultural household for use within the TIAH methodology, comprising one in which any household member has some income from farming (other than solely income in kind).

When Member States came to apply the TIAH methodology, only Denmark, the Netherlands and Ireland were able to provide results calculated using the original target household classification system. Most found that classification using a reference person was the more feasible in their circumstances. Consequently, the TIAH project adopted this approach as the basis of harmonisation. In December 1992, the Member States agreed to alter the TIAH Manual of Methodology so that the target definition of an agricultural household became one in which the main source of income of the *reference person* (rather than the entire household) was from independent agricultural activity.

Following discussion by the Working Party and consultation with parts of Eurostat responsible for Family Budget Surveys and National Accounts, it was agreed in June 1993 that the TIAH project should adopt a list of socio-professional groups for the purpose of

disaggregating the household sector and the drawing of comparisons between agricultural households and other socio-professional groups. This list was expressed in two levels, a "minimum" list and an indication where the first level of expansion should take place. Member States that wished to use a more detailed breakdown could do so. The "minimum" list comprised:

- (a) Employers and own-account workers (main income of reference person from independent activity)
 - (i) Farmers
 - (ii) Others
 - (iii) All self-employed [(a)(i)+(a)(ii)]
- (b) Employees (main income of reference person from dependent activity):
- (c) Others
- (d) All households except farmers
((e) minus (a)(i))
- (e) All households ((a) + (b) + (c))

The estimation of results based on a "broad" definition of an agricultural household is seen as providing useful additional information to policy-makers. Several approaches to defining the "broad" agricultural household are possible, and the full Report describes the outcome of discussions between the Member States and Eurostat on the preferred option and the possibility of calculating results on this basis. However, the "broad" definition is seen as only a supplement to the "narrow" definition that remains central to the TIAH project and its objectives. In particular, the disaggregation of households into socio-professional groups for income comparison purposes (of which agricultural households form one group) requires the use of such a "narrow" approach.

Studies comparing "narrow" and "broad" definitions of an agricultural household

Existing information on the implications of applying the "broad" definition in Ireland and Denmark is reviewed together with results from new studies from the Netherlands and Germany. In each country the use of the "broad" definition expanded the number of households covered compared with the number that qualified under the revised "narrow" definition by bringing in households which had some farming income but where farming was *not* the main income of the head of household (termed "marginal" households), though the extent varied substantially. In Ireland "marginal" households were particularly important; they accounted for 59% of the number of households with some farming income in 1987. Elsewhere they were less relatively numerous; in Denmark the figure was 17% (1988), in the Netherlands 36% (1988) and in Germany 42% (1983). Perhaps of even greater significance is the different

impacts these two definitions had on average income levels. In Ireland and the Netherlands the use of the "broad" definition lowered the average household net disposable income (by 18% and 21% respectively), implying that the "marginal" households had lower average incomes than agricultural households narrowly defined (though in the Netherlands they were still above the national all-households average). In Denmark the income level was almost unchanged. However, in Germany the average income was increased by 5%. Such diversity should prevent any quick assumptions about the relative results from using the "narrow" and "broad" definitions and points to the need for results to be available from each Member State. The differing social, economic and agricultural structures seem likely to require each country to be considered individually, at least until more comprehensive information is available.

